

59/5 BUDGET 2017/2018**DATE : 23/05/2017****AGENDA: COUNCIL MEETING: 31/05/2017**

REPORT: CHIEF FINANCIAL OFFICER**1. PURPOSE**

The purpose of this item is to table the Budget for the financial year 2017/2018 to be adopted and implemented from 1 July 2017.

2. BACKGROUND

It terms of section 16 of the Municipal Finance Management Act 53 of 2003, the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. In order for a municipality to comply with this section, the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial year, provided a separate appropriation is made for each financial year.

3. DISCUSSION

Attached is the Budget report outlining the budget process and highlights related to the Budget 2017/2018.

In compiling the Budget the municipality has considered its own IDP, Circular No. 85 & 86 of the MFMA and the views of the local community and the Provincial Treasury.

The municipality has focused on the following as part of the overall national priorities:

- To explore opportunities to mainstream labour intensive approaches to delivering services;
- Participating fully in the Extended Public Works Program supporting labour;
- To ensure timely delivery of capital programmes (eliminate under-spending of capital budgets);
- To review all by-laws and development approval processes with a view to remove any regulatory bottlenecks to investment to job creation;
- Ensuring that service delivery and capital projects used labour intensive methods wherever appropriate and
- Implementing intern's programs to provide young people with on-the-job training.

The estimated revenue framework is based on the proposed increases in rates, tariffs and other charges that have been kept at levels limiting the expenditure growth within

6 per cent and at the same time reflecting an appropriate balance between the interests of poor households, other customers and surety for effective and sustainable service delivery supported by financial viability of the municipality.

The estimated expenditure framework of this Budget also responded to the President's call and emphasis on implementation of cost containment measures and elimination of non-priority spending by all the government institutions. The expenditure containment was also driven by the rising inflation and weaker employment growth which has impact on the ability of all municipalities to generate and collect revenue on services.

When preparing this Budget cognizance was taken of the reforms to local government framework which saw the infrastructure grant system structured to allow municipalities to use conditional grant funds to repair and refurbish existing infrastructure. Furthermore, the municipality benefitted from water grants rationalization into two grants, namely, the regional bulk infrastructure grant is to fund large bulk-water and sanitation projects, and the water services infrastructure grant is to fund construction and refurbishment of reticulation schemes and on-site services in rural municipalities.

It is also important to note that whilst the mSCOA Regulations will only take effect on 1 July 2017, Setsoto Local Municipality as one of the pilot municipalities has converted its current year budget and has since been processing its transactions using mSCOA and therefore the draft budget for 2017/18 hereto tabled has been compiled using mSCOA version 6.1.

4. STAKEHOLDERS CONSULTED

Management
Public participations

5. LEGAL IMPLICATIONS

Compliance with Municipal Finance Management Act 56 of 2003

6. STAFF IMPLICATIONS

As per the Organisational Structure – Staff compliment

7. FINANCIAL IMPLICATIONS

Annual Budget for 2017/2018 financial year

8. SERVICE DELIVERY IMPLICATION

If the budget is not approved no services delivery can take place. It will hamper the entire municipality to fulfill its mandate.

9. RISKS

If the budget is not tabled, approved and amended as suggested it might lead to votes overspending, with the effect that unauthorized expenditure will occur, leading to a qualification during the audit process. The continuation of service delivery will be ceased with the inception of the budget period starting 01 July 2016.

10. ANNEXURES

Budget document for the year 2017/2018.

11. RECOMMENDATIONS

1. That Council approves the acquisition of a finance lease as per paragraph 1.8 of the Draft Budget 2017/2018.
2. That the budget be adopted and approved by Council.
3. That the budget be implemented from 1 July 2017.

I. Main Tables:

- (a) Table A1: Summary
- (b) Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)
- (c) Table A3: Budget Financial Performance (revenue and expenditure by vote)
- (d) Table A4: Budget Financial Performance
- (e) Table A5: Budgeted Capital Expenditure by vote, standard classification and funding
- (f) Table A6: Budgeted Financial Position
- (g) Table A7: Budgeted Financial Position
- (h) Table A10: Basic Service Delivery Measurement

II. Supporting Tables

- (a) Table SA2: Matrix Finance Performance Budget
- (b) Table SA8: Performance indicators and benchmarks
- (c) Table SA25: Budgeted monthly revenue and expenditure
- (d) Table SA26: Budgeted monthly revenue and expenditure (municipal vote)
- (e) Table SA27: Budgeted monthly revenue and expenditure (standard classification)
- (f) Table SA30: Budgeted monthly cashflow

III Supporting Policies

- (a) Investment and Cash Management Policy
 - (b) Budget Policy
 - (c) Credit Control and Debt collection Policy
 - (d) Property Rates Policy
 - (e) Tariff Policy
 - (f) Supply Chain Management Policy
4. That the tariff structure as reflected for the 2017/2018 be adopted and approved.
 5. That the following budget related policies, namely, Investment and Cash Management Policy, Budget Policy, Credit Control and Debt Collection Policy, Property Rates Policy, Tariff Policy and SCM policy be adopted and approved.

(FOR RESOLUTION)

Minutes Council Meeting: 31 May 2017

The Executive Mayor, Cllr Nthateng Maoke presented the Budget Speech as per the document attached whereafter all political parties representatives were given the opportunity to make submissions.

Cllr Vries from the DA indicated that the budget is not aligned to the needs of the people. He raised his concern that during the public participation processes a lot of injustices were noticed as it was not ward based participation. He further raised his concern that 44% provision for employees salaries is beyond the norm and it is a huge expense for this municipality. Based on these reasons he indicated that the **DA was not in support the Budget 2017/2018.**

Cllr Matsau from UFC shared the sentiments of Cllr Vries also referring to concerns within the IDP where deviations are apparent. He also alluded to the exorbitant expenditure of 44% provided for employees salaries, which excludes provision of Councillors allowance and indicated this expenditure is a serious challenge. He indicated that the municipality is running at a loss and as a result the **UFC can never support the Budget 2017/2018.** He further indicated that the Executive Mayor should have informed the communities during her roadshows that the required standard for a municipality to spend for salaries is 33% of the total budget. He also raised his concern that the budget is tailored to enrich some individuals through the smart SCM and Procurement Policies.

Cllr Liphoko from EFF indicated that even though inclusive efforts were made to compile the budget he realized that it was not going to bring any changes to the poor of the poorest. He highlighted that there are projects identified e.g fencing of cemeteries and that it is a fact that our deceased should be laid to rest in descent areas however Council should first sought means to safeguard the areas as it is well known that the very fences will be ruined by the same community. He also made reference to the sports facilities that are going to be provided with plastic

seats and indicated that he felt this was a waste and not a priority. He indicated that the budget could have prioritized basic needs e.g establishment of a new townships. Cllr Lipoko therefore concluded that based on the above issues the **EFF was not in support the Budget 2017/2018.**

Cllr Bester from VF Plus raised her concern in relation to the Budget 2017/2018 indicating that various provisions have been made for infrastructure development and maintenance though she was doubtful whether that it will not be the outcome. She further made reference to the fact that MFMA requires the budget to be funded by realistic anticipate revenue, referring to various percentages emanating from the difference areas of collection and felt that the municipality was already starting off with a massive disadvantage in respect of revenue. She further indicated that should revenue collection not improve there will be insufficient funding to achieve the objectives contained in the Budget. She also raised a concern relating to the expenditure on salaries amounting to 44% of the total budget and indicated that the VF Plus would like to see proper Human Resource Management within the municipality and too many employees of the municipality are not performing their duties properly and nothing is happening to deal with the employees. She indicated that employees must be accountable for their performance as service delivery is the key priority.

Also with reference to the Budget, Cllr Bester indicated that Electricity increase must be in line with NERSA and finds it unacceptable that users must be burdened with higher increases as this will lead to further non-payment. Financial Management is key to addressing the debts of the municipality with specific reference to Eskom. This municipality cannot afford improper priorities, cadre deployment and incapable employees to be the downfall of the Municipality.

Cllr Bester also raised a concern in relation to the interest on outstanding debtors and felt that it the municipality could not collect outstanding debtors, thus how would it be able to collect interest on outstanding debtors. In conclusion she indicated that the budget was unrealistic and does not address the necessary matters, therefore the **VF Plus was not in support of the Budget 2017/2018.**

MMC Selasi from the ANC commended the Executive Mayor and indicated that the budget was dealing with the challenges of the community. He indicated that the **ANC was in full support of the Budget 2017/2018** and accepted it as a progressive step to changing the lives of the people. MMC Selasi thanked the collective efforts made to ensure that the budget seeks to address the needs of Setsoto residents.

The Speaker then put the **Adoption of the Budget 2017/2018** to vote and divided the house.

Vote in favor of acceptance of the Budget 2017/2018	:	16
Vote against the acceptance of the Budget 2017/2018	:	8

Members who voted against the budget were noted as Councillors from DA, UFC, EFF and VF Plus.

Thus the matter was resolved as follows:

RESOLVED:

1. That Council approves the acquisition of a finance lease as per paragraph 1.8 of the Draft Budget 2017/2018.
2. That the budget be adopted and approved by Council.
3. That the budget be implemented from 1 July 2017.

III. Main Tables:

- (i) Table A1: Summary
- (j) Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)
- (k) Table A3: Budget Financial Performance (revenue and expenditure by vote)
- (l) Table A4: Budget Financial Performance
- (m) Table A5: Budgeted Capital Expenditure by vote, standard classification and funding
- (n) Table A6: Budgeted Financial Position
- (o) Table A7: Budgeted Financial Position
- (p) Table A10: Basic Service Delivery Measurement

IV. Supporting Tables

- (g) Table SA2: Matrix Finance Performance Budget
- (h) Table SA8: Performance indicators and benchmarks
- (i) Table SA25: Budgeted monthly revenue and expenditure
- (j) Table SA26: Budgeted monthly revenue and expenditure (municipal vote)
- (k) Table SA27: Budgeted monthly revenue and expenditure (standard classification)
- (l) Table SA30: Budgeted monthly cashflow

III Supporting Policies

- (g) Investment and Cash Management Policy
 - (h) Budget Policy
 - (i) Credit Control and Debt collection Policy
 - (j) Property Rates Policy
 - (k) Tariff Policy
 - (l) Supply Chain Management Policy
4. That the tariff structure as reflected for the 2017/2018 be adopted and approved.

5. That the following budget related policies, namely, Investment and Cash Management Policy, Budget Policy, Credit Control and Debt Collection Policy, Property Rates Policy, Tariff Policy and SCM policy be adopted and approved.
-